

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2020/2021

BSM3614 – STRATEGY

(All sections/Groups)

15 MARCH 2021
9.00 a.m – 12.00p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 5 questions only.
2. Answer **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Answer **ALL FIVE (5)** questions.

QUESTION 1

- a) The need to understand the environment surrounding a business is essential for its sustainability. Justify the statement using your knowledge of strategic management concepts.

(10 marks)

- b) Review the following mission statement.

We help women and men around the world enhance their natural beauty through a wide range of cosmetic products specialising in lipstick. We are committed to R&D and hire the best people to produce the best and safest beauty and personal care products available to assure our continued growth. Our motto is "Love is On" because we believe love is the universal emotion that binds people and communities in a caring way.

Seek the **NINE (9)** mission components in the mission statement.

(10 marks)

(Total: 20 marks)

QUESTION 2

Hyundai to acquire US robotics firm from SoftBank for \$1.1bn

Automaker expects Boston Dynamics to help it pivot to smart mobility

SEOUL -- Hyundai Motor will acquire a U.S. robotics company from Japanese tech group SoftBank in a deal that helps the South Korean carmaker move closer to its vision of becoming a broader smart mobility company.

South Korea's largest automaker announced Friday that Hyundai Motor Group will acquire an 80% stake in Boston Dynamics from SoftBank for \$1.1 billion. The Japanese company currently owns a 100% stake in the company and will retain the remaining 20%. The deal comes as Hyundai gears up for investments in robotics and urban air mobility, seeking to make half of its revenue from the two new businesses. Hyundai Chairman Chung Euisun last year detailed his vision for a mobility solutions company, saying half of its sales would be automotive while 30% would come from urban air mobility and robotics would account for 20%.

"We are delighted to have Boston Dynamics, a world leader in mobile robots, join the Hyundai team. This transaction will unite capabilities of Hyundai Motor Group and Boston Dynamics to spearhead innovation in future mobility. The synergies created by our union offer exciting new pathways for our companies to realize our goal -- providing free and safe movement and higher plane of life experiences for humanity," Chung said. "We will also contribute to the society by enhancing its safety, security, public health amid global trends of aging society and digital transformation."

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Masayoshi Son, chairman and CEO of SoftBank Group, said, "Boston Dynamics is at the heart of smart robotics. We are thrilled to partner with Hyundai, one of the world's leading global mobility companies, to accelerate the company's path to commercialization. Boston Dynamics has a very bright future and we remain invested in the company's success."

A source in Tokyo said SoftBank's robotics team has struggled to work with Boston Dynamics because it is so secretive. SoftBank bought Boston Dynamics from Google in 2017. Boston Dynamics was spun out of the Massachusetts Institute of Technology in the early 1990s before it was sold to Google in 2013.

Boston Dynamics says it focuses on creating robots with advanced mobility, dexterity and intelligence and wants to build robots that can go where people go. Its robot dog Spot Explorer is sold for \$74,500.

The deal marks the latest in a stream of exits by SoftBank as Son stockpiles cash to weather the pandemic. The Japanese conglomerate has secured 10 trillion yen (\$96 billion) since late March, Son said last month, including its sale of U.K. chip designer Arm to Nvidia.

SoftBank's robotics unit has backed the commercialization of its four-legged robot Spot, including facilitating trials with Japanese companies, according to a person close to SoftBank. But it has struggled to find effective use cases, the person added. "The robot is basically still in trial phase," the person said.

Source : <https://asia.nikkei.com/Business/Automobiles/Hyundai-to-acquire-US-robotics-firm-from-SoftBank-for-1.1bn>

- a) Hyundai Motor is set to acquire a controlling stake in Boston Dynamics. Provide **THREE (3)** reasons for this move.
- (12 marks)
- b) Boston Dynamics was spun out of the Massachusetts Institute of Technology in the early 1990s before it was sold to Google in 2013. SoftBank bought Boston Dynamics from Google in 2017. Provide **TWO (2)** possible reasons why companies such as mentioned in the case above sometimes sell off firms that it has acquired.

(8 marks)

(Total: 20 marks)

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QUESTION 3

Internal Analysis		External Analysis	
Financial Position (FP)		Stability Position (SP)	
Profit After Tax: RM4,851.7m (2019), RM4,652.3m (2018), RM4,172.8 (2017)	5	Digital transformation: Approximately 44% is the estimated growth rate for AI (Artificial Intelligence) spending in central governments around the world through 2023, faster than AI spending in personal and consumer services. In addition, according to a Gartner survey, 43% of government CIOs across 89 countries are likely to increase technology investment in business intelligence and data analytics in 2021.	-1
Total Equity: RM9,140.7m (2019), RM9,009.2m (2018), RM8,696.9m (2017)	5	Data protection: 107 countries have formulated legislation to protect data and privacy of citizens. Since 2013, 9.7 billion data records were lost or stolen globally. Worldwide, 1 billion people lack access to a legal way to identify themselves.	-2
Employee Turnover: 729 (2019), 744 (2018), 832 (2017), mainly due to expiration of contracts.	4	Worker productivity: Average productivity per worker in emerging and developing economies is less than one-fifth of that of a worker in an advanced economy, and, in low-income economies, that figure drops to 2%.	-4
Supplier network: It has 1,449 suppliers as of 2019 - of whom 98% are local	5	Branding: According to Deloitte, brands leverage customer participation across these 4 spectrums from baseline to full blown order: customer insights, customer engagement, co-creation, customer as brand. When decisions about brands, 28% of consumers look at how an organisation treats its own people, 20% at how the organisation treats the environment and 19% at how the organisation supports its communities in which it operates.	-2
Total fuel consumption for all airports: 491,403.17 litres (2019), 488,132.87 litres (2018), 493,142.11 litres (2017)	2	Economic outlook: The global economy is estimated to bounce back by 5.3% in 2021. World Trade Organization forecasts the volume of world merchandise trade to rise by 7.2% in 2021.	-2
Total energy consumption: 525m kWh (2019), 491m kWh (2018), 505m kWh (2017).	2	Connectivity: There will be more than 50 billion connected devices by 2021.	-2

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Competitive Position (CP)		Industry Position (IP)	
Customer Satisfaction Index: 81.4% (2019), 72.6% (2018), 68.4% (2017)	-1	Airport infrastructure: The smart airport market is estimated to register a Compound Annual Growth Rate (CAGR) of 3.48% during the forecast period (2019-2024). The infrastructure for smart airport includes communication systems, cargo and baggage handling, ground handling, security systems, vehicle parking solutions, air traffic management, aircraft hangars, aircraft parking, passenger and staff notification system, information display system, lighting system, and announcement system e.g. Fraport's new self-driving guide robot called YAPE for luggage transportation; British Airways' AI-powered autonomous robots at Heathrow Terminal 5 to further enhance punctuality for passengers.	7
Key business activities: Airport Services, Duty Free, Hotel, Project and Repair Maintenance, and Agriculture and Horticulture	-3	Security costs: Global airport security costs are expected to exceed \$12.8 billion by 2023.	2
Technology asset: In 2018, KUL became the region's first airport, and second globally, to install a Linear-Cell Radar over Fibre Foreign Object Debris (FOD) Detection System worth RM100m in a collaboration by Hitachi Kokusai electric, Universiti Teknologi Malaysia and Malaysia Airports.	-2	Passenger traffic: Passenger numbers are expected to grow to 2.8 billion in 2021. That would be a billion more travellers than in 2020, but still 1.7 billion travellers short of 2019 performance. Passenger yields are expected to be flat and the load factor is expected to improve to 72.7% (an improvement on the 65.5% expected for 2020, but still well below the 82.5% achieved in 2019).	3
Digitalisation: It initiated Airports 4.0 as an umbrella programme for all digital transformation initiatives, encompassing Big Data Analytics and Internet of Things (IoT). It developed the MYairports app that acts as an airport travel guide, providing navigation advice, live updates on flight information, shopping and dining promotions, and important airport information, made available in 3 languages.	-2	Airport retail: Airport retail will become the way customers shop in the future. One, because it is tax free. Two, travel retail ecosystems must consider passengers' e-commerce buying behaviour as it trends more and more toward third-party platforms such as WeChat, Jessica's Secret and Alibaba's pre-travel duty-free platform, Fliggy Buy.	5

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Group Passenger Traffic Movements: 133.2m (2019), 128.0m (2018), 118.5m (2017)	-3	Cargo revenues: The cargo side of the business is expected to continue with strong performance. Improved business confidence and the important role that air cargo should play in vaccine distribution is expected to see cargo volumes grow to 61.2 million tonnes (up from 54.2 million tonnes in 2020 and essentially matching the 61.3 million tonnes carried in 2019). This will contribute to strong performance in cargo revenues which are expected to grow to an historic high of \$139.8 billion.	6
Corporate governance: 100% of the Board of Directors are Malaysian and above the age of 50 years old, with 45% female. All 6 Senior Management are contract personnel, with only 1 female. It has in place a Code of Ethics and Conduct, a Fraud Policy and guidelines on gifts, entertainment, sponsorship, conflict of interest as well as an anti-bribery and corruption guide, a Whistleblowing Policy and a Whistleblowing Independent Committee.	-2	Industry growth: According to Airports Council International Europe, 193 European airports could be bankrupt in a few months due to the financial crisis caused by Covid-19 travel restrictions.	2
Only 16 out of 39 airports in Malaysia are Safety Management System (SMS) certified.	-5	Impact on value chain: By 2024, GlobalData figures expect the total revenue for full-service airlines to break the trillion-dollar mark, reaching \$1.1tn where the aviation market will recover to pre-corona levels in the majority of markets by 2022, although this could change if further travel restrictions are imposed.	7

The table provided above are hypothetical internal and external analyses for a Strategic Position and Action Evaluation (SPACE) Matrix of Malaysia Airports Holdings Berhad (MAHB).

a) Based on the above table, provide the necessary calculations and plot the SPACE graph.
(Marks will be allocated for workings.)

(10 marks)

b) Based on your findings in (a), interpret the results and provide **TWO (2)** recommendations for MAHB to plan for its post Covid-19 recovery growth.

(10 marks)

(Total: 20 marks)

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QUESTION 4

Display your understanding of internal and external corporate governance mechanisms that can be used by organisations to align the interests of their managerial agents and their owners.

(Total: 20 marks)

QUESTION 5

- a) Perform the Competitor Profile Matrix based on the information provided below. Explain how Company K is performing relative to its competitors. Suggest **TWO (2)** areas for Company K to improve itself.

No	Critical Success Factors	Weight	Company K	Company L	Company M
			Rating	Rating	Rating
1	Advertising	0.07	2	3	4
2	Market penetration	0.08	3	2	4
3	Price competitiveness	0.10	3	4	2
4	Customer loyalty	0.12	3	2	4
5	Market share	0.10	3	2	4
6	Product quality	0.13	4	3	2
7	Global expansion	0.08	2	4	3
8	Financial position	0.11	3	2	4
9	Customer service	0.08	3	2	4
10	E-commerce market	0.13	3	2	4
		1.00			

(10 marks)

b) Kraft Heinz sees less innovation as more

CHICAGO – Product developers at the Kraft Heinz Co. will be focusing on 50% fewer innovation projects in 2021 than they did in 2019, said Carlos A. Abrams-Rivera, president of US Zone. The reduction will open opportunities for the renovation of some brands and allow the company to create a foundation for more successful innovation efforts.

“The important element is making sure that innovation sticks, that it has the right insight and that it's executed flawlessly,” Mr. Abrams-Rivera said in Dec. 2 during a virtual presentation at the Morgan Stanley Global Consumer Conference. “So, for us to be successful in innovation, we had to do some things first.

“We needed to make sure we improve the quality of our marketing, the sales execution and our supply chain. (That's) the focus ... we're doing right now ... basically creating the foundational base in which we can launch that innovation as we go forward.”

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With the right fundamentals in place, management hopes the company will generate more “sticky” innovation that is based on consumer and retailer insights. As an example of using retailer insights, Mr. Abrams-Rivera pointed to how the company is targeting the breakfast occasion.

“We have a huge opportunity to win in breakfast because we have a range of brands, whether it's Oscar Mayer, whether it's Philadelphia Cream Cheese, Ore-Ida, Just Crack an Egg and Maxwell House,” he said. “So, we are actually partnering with our retailers to create an in-store breakfast destination that leverage that scale and then saves the consumer much more time in store.

“It's really shifting the focus of what traditional CPG has done to talk about our brand, to really talk about our consumer solution and us partnering with retailers in a different way for us to win greater share of breakfast occasion rather than any one particular brand.”

With an innovation foundation in place, Mr. Abrams-Rivera said more sizable innovation will occur in 2022 and 2023. “What's important is that you'll see and feel quite a bit of renovation as well in our big brands to make sure we continue to build on the household penetration gains that we have made this year,” he said. “So, that is part of also the way you should think about what's coming out of Kraft Heinz.”

He added that half of Kraft Heinz’s brands are growing double-digits in terms of household penetration. “We are actually encouraged by the fact that we're seeing not only the health of penetration gains, but also when you look at new buyers, the rate of those new buyers repurchasing two or more of our products is actually double what we have seen in the past,” Mr. Abrams-Rivera said.

He called the household penetration gains “more durable than episodic” and said the changes being seen in consumer behaviors are expected to last longer than the company originally believed.

Source: <https://www.foodbusinessnews.net/articles/17410-kraft-heinz-sees-less-innovation-as-more>

Based on your understanding of the case, provide your opinion on Kraft Heinz Co. which “sees less innovation is more”. Discuss any **THREE (3)** key points to support your opinion.

(10 marks)

(Total: 20 marks)

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